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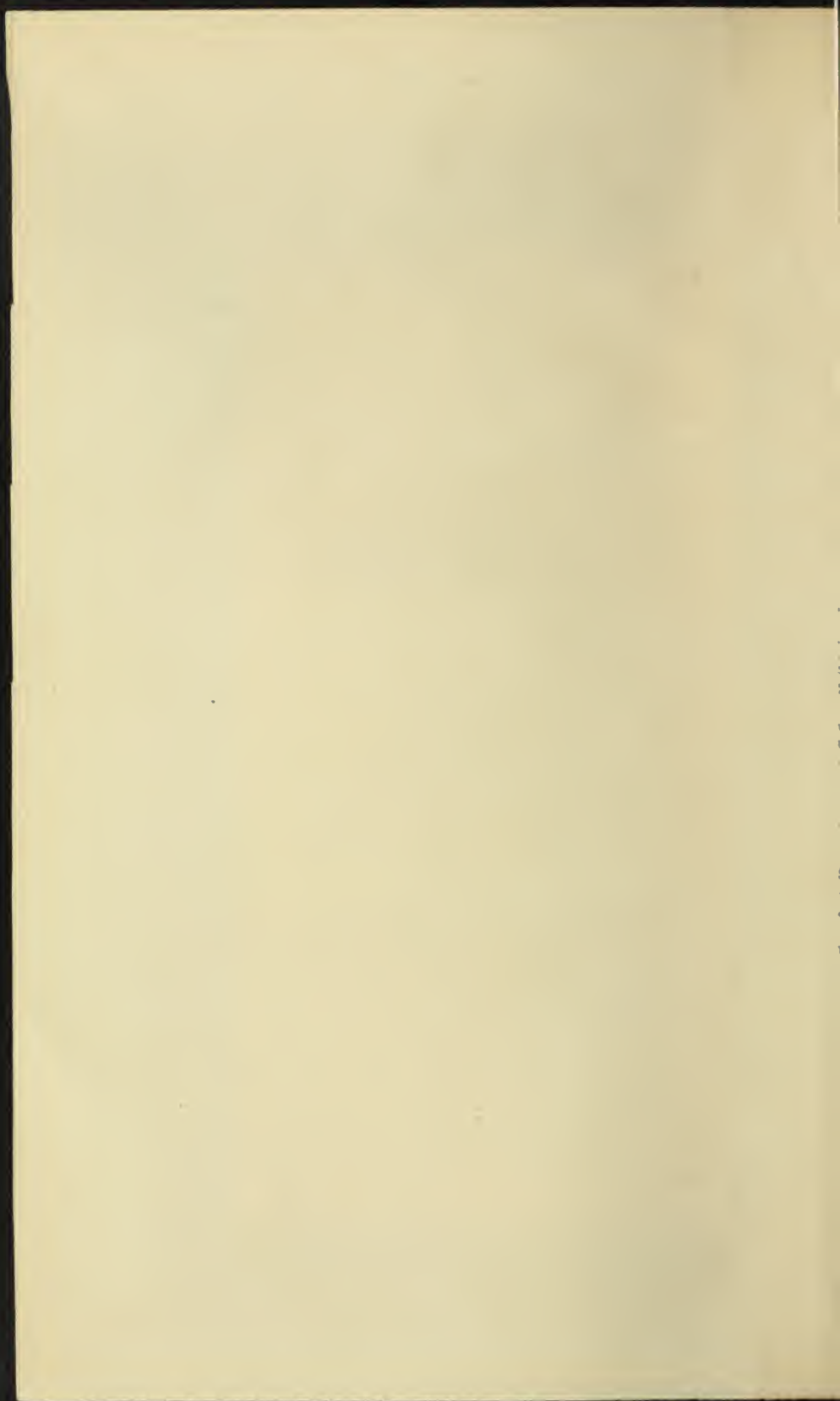
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AN APPEAL  
TO THE PUBLIC  
ON THE  
CONDUCT OF THE BANKS  
IN THE  
CITY OF NEW-YORK.

==  
BY A CITIZEN.  
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# A HISTORY

## OF THE CONDUCT OF THE BANKS IN THE CITY OF NEW-YORK,

### SINCE THE SUSPENSION OF SPECIE PAYMENTS.

#### BY A CITIZEN OF NEW-YORK.

The advantages which many flatter themselves they derive, and the facilities which result to all, from unrestrained issues of a base, and therefore a plentiful currency, will render it difficult, when that currency has "*insinuated*" itself, into all the pecuniary transactions of society, to persuade it to undergo that self-inflicted and corrective purgation, in which alone the remedy is to be found. Those who *make* this currency, and who are permitted to make as much of it, and of course to profit as much by it, as they please, must be endowed with extraordinary wisdom, as well as integrity, to forego advantages which, to most appear so palpable. And those, who are, from the nature of their pursuits, in daily need of *some* sort of currency, may be expected to cling long to a base one, if they shall have been made to fear, that a pure one cannot be produced in sufficient abundance. Much more reluctant will they feel, to abandon the base currency, if they have been induced to suspect that the pure one has so entirely disappeared, that it cannot be restored to the uses of business. The makers, therefore, and the users of bad money, will be united; and they constitute, with us, a very strong portion of the community. All of these will confess, that a base currency is, undeniably and indisputably, a public evil; but will insist, nevertheless, that it is impossible to do without it. Having made up their minds on this point, they go a step further, and think it unnecessary to attempt the reformation of the acknowledged evil. And, so rapid is the progress of error, when supported by interest, that very soon, you will find them enraged with those who deem the evil not incurable, and who would, therefore, attempt to apply the remedy. "*Not yet,*" is the argument. *Hereafter* we shall better be enabled to do it. But it is the sinner's argument, ending in a repentance that comes too late, a *death bed* repentance.

Neither in the physical nor the moral world, were diseases ever known to be removed by indulgence; much less by adding to the causes

which originally produced them. The tendency is always from bad to worse.

He, therefore, who hopes that the evils of the present extensive and complicated system of paper money, will *cure themselves*, when fostered by indulgence, and even cherished as useful, will not be lost for want of belief in the doctrine of miracles.

To all other evils, when once acknowledged to be evils, we invariably apply what we deem remedies. Criminals we imprison; unruly children we chastise; to fevers we apply medicines; from undue heat we retreat to the cool shade; and from the biting frost we are relieved by genial warmth. For all other evils we seek a remedy. But a base currency, an evil, as all experience and history prove, most extensively and durably pernicious, must be left to itself: it will cure itself! Nay, it will be likely to find a cure, in the general encouragement which must be derived from the general belief, that its existence is necessary! At no future time can it be less necessary than the present. Progress, by increasing the distance, increases also the difficulties of return.

Our condition in this respect, however deplorable, is not singular. It was always thus, every where. The public, every where, have been always so unwilling to undergo the temporary inconveniences, attending the reformation of a base, but plentiful currency, that reformation has scarcely ever been attempted; reformation of base paper, never. It has been reformed only when it exploded. But, that explosion has invariably produced effects, infinitely more tremendous, than the inconveniences that would have resulted from a regular and progressive system of reform.

A Pamphlet has recently appeared in this City, entitled

*Letter to Albert Gallatin, Esq. on the doctrine of gold and silver, and the evils of the present banking system, in effect and tendency. By PUBLICOLA. Printed by Gould and Var*

*Pch.*



The author of this pamphlet, is a most welcome, because he is a powerful auxiliary to those, who wish to see at least an attempt at reform.

And although, we cannot agree with him in the ultimate cause, to which (with some hesitation, however,) he attributes the evil, nor (which would be almost a thing of course) in the remedy he prescribes, yet his work has, in all other respects, so much merit, that no reader, we venture to say, can rise from a perusal of it, without great pleasure, and much instruction.

*Publicola* considers the depreciation of the paper medium, below the universal standards, gold and silver, an evil. He ascribes and fairly traces depreciation to excessive issues, as its cause; and so far is unquestionably correct.

“To develop with accuracy (says he) the causes of the present diseased condition of our currency, would doubtless afford a *clue* to the remedy. But inquisitive and sagacious men differ in opinion respecting them. Some conceive that the ultimate causes were the loans to government, and the enormous demand for gold and silver occasioned during the war by the paucity of our exports and comparative magnitude of our imports. Others suppose these are proximate causes, and that the source of the evil lies deeper. My own feeble opinion coincides with the latter class. If the drain was occasioned by the excess of our imports, the suspension of specie payment demonstrates that specie had not been provided to meet the previous issues of paper; that our Banks were in the same condition as the Bank of England in the year 1797, and had over issued.”

We shall endeavour hereafter to prove, and we venture to say, to *demonstrate*, that the loans made to government were the single cause of the excessive issues, and that the retention by the banks of the stock received in exchange for their notes, was the cause of their inability to pay specie.

We cannot but regret, that so able a writer should have passed so lightly over a point of so much importance. For if our opinion be correct, the removal of the cause would of course remove the disease.

If, however, the ultimate object of the writer was rather to gain converts to the establishment of a grand national bank, than to relieve from decrepitude the state banks, which exist already; we are not disposed to detract from the address and ability, exhibited throughout the work.

But inasmuch as we are firmly persuaded, that bank notes were furnished to government to an amount so far beyond what was necessary for business, and of course beyond what could be kept suspended in circulation, as to produce an excess of issues; and that such excess was the cause of depreciation, we are constrained to insist, that the remedy will be found in curtailing this excess, and may be effected without the establishment of a national bank; although such an institution, simple in its construction and well administered, might afford a great security against the evils, which this writer exposes with consummate ability.

And yet we are persuaded he has gone back to first principles, and displayed in regard to those, a research and acuteness, which the occasion did not require. In the perusal of the following plan of investigation, the reader will find our author not less daring, than a perusal of the book, will prove him powerful in his labors.

“To probe the evil to the root, we must inquire why banks possess the power to suspend specie payment, and by what means they can with impunity wield that power and overstep their chartered rights. To determine the ultimate causes of DEPRECIATION, and the scarcity of specie, we must analyse doctrines the most intricate in the range of political economy. The doctrine of money, as composed of specie and of paper; the principles that control the introduction of gold and silver into, and their departure from a country; their fluctuations; the balance of trade; the variations between the market and mint price of gold and silver; or, in other words the reciprocal vibrations of the monetary unit of the commercial world, and that of each commercial community; and lastly, the science of banking in its three great divisions—Banks of deposit—Banks of circulation and short loans—Banks of circulation and loans indifferently long or short.

Our limits (we regret) do not enable us to give more than the design and plan of the work. But we earnestly recommend it to general perusal. There are few men to whom it will not give some new and important ideas.

That powerful efforts will be made to compel the banks to resume specie payments, is not to be doubted. Courts of justice have been and will again be resorted to. But the subject though cognizable by the judicial authorities, is one, on which the public voice will ultimately decide. It will rest with the legislature. It is



of great, it is of *national concern*. Its magnitude seems almost to defy the powers of mere *distributive justice*.

It will rest with the people to decide whether, if banks *can* pay, they shall be *made* to pay; or whether if they *cannot* pay, they shall be permitted to sell their bankrupt credit at a regular and undisturbed profit, until like all paper of like sort, it sinks to nothing; a mere dead loss to the unfortunate, last holder.

We shall now proceed in our endeavours to investigate those causes, which, in our judgment, first produced the "diseased condition of our currency;" and of those also which have prevented its restoration to health. In performing this duty, for we esteem it imperative, neither fear, nor delicacy shall prevent us from speaking of men and things, *as they are*. Aware that we shall at first please but few, and perhaps irritate many, we approach the subject with a reluctance which nothing but a solemn conviction of the necessity of discussing it, could have overcome.

The struggle for American independence forced into activity all the resources, physical, moral and intellectual, with which Heaven, in its benignity, had blessed the United States. Even these, however, would probably have been unavailing, if recourse had not been had to means, the necessity of employing which, those, who would delight to behold the annals of American patriotism, unsullied and unstained, can never cease to lament. We are not, however, at this distance of time, disposed to open wounds, which happily have ceased to bleed, by detailing the *unequal* effects which the final extinction of the supposed value of *Continental Money*, produced upon the various members of the community. But it is useful to remember that the support of that kind of "*Current Money*," for we had then no other, was by all considered inseparably connected with the final establishment of our independence. The nation was not induced to give that support, by considerations of convenience or commercial profit, merely, but by every consideration which could make liberty and independence dear to them. Yet, experience has proved, not only that it could not be supported, at a moderate, nor even a great depreciation, but that it could not be prevented from losing entirely all estimation of value. And hence will appear the dan-

ger, and the absurdity, of relying upon what the common and universal anxiety may have united in calling and desiring to keep up as money, if it has no *intrinsic value*.

One wholesome consequence, however, followed the extinction of Continental money. The whole community long felt and expressed a decided distrust of all *paper money*; and this distrust had a most salutary effect upon the conduct of those, who first engaged in the management of *banking establishments*. The first bankers had strong jealousies to overcome, for suspicion watched them with eagle eye; and hence in their early operations, emissions of paper were carefully regulated by the *means* of the banks to redeem it. No paper was issued unless the directors felt an almost perfect certainty that it would be punctually redeemed.

It was by conduct thus uniformly and obstinately careful and honest, that the apprehensions, which the remembrance of *continental money* had excited, were gradually soothed, and ultimately extinguished. *Bank bills* became now an universal, because, an unsuspected and undoubted currency. And notwithstanding the wars, which for more than twenty years, continued to increase the value of the precious metals in *Europe*, when compared with their various paper currencies, the specie in this country was never diminished, nor the ability of the banks to make good their engagements in that medium, impaired or suspected: a fact, which will somewhat confuse the speculations of those whimsical economists, who take it for granted, that when specie commands a premium in the depreciated paper of one country, that it must necessarily be sent thither for profit from that, which permits no cheaper medium. If (this were so, specie would always be plenty, where the paper currency has depreciated. Yet we know, that at Washington, where it is worth twenty-five per cent in paper of that place it is much more scarce than at Boston, where it is of equal value with bank notes. The rate of exchange between different places, other things equal, will always be governed by the degree of depreciation, in one of them.

In *Europe* specie was for many years fluctuating in value, (taking bank of England notes as a standard of value) from *ten* to *twenty-seven per cent*; but never was a scarcity of specie felt in this country, as a

consequence, because bills on that country, during the same period, also fluctuated from ten to twenty seven per cent, below par, which of course took away all temptation to ship it. On the contrary, every man who held a bank bill here, considered himself as holding specie to the amount of it: because he could always obtain specie for it, when engaged in an operation to which specie *alone* was competent; and this was the only sort of case in which it was ever demanded. So that practical men, in this state of undisturbed confidence, began to perceive, that so long as this confidence continued, a bank really required no more specie, than it would be called upon to pay in aid of those enterprizes, in which bank bills would not answer: and that a capital almost entirely fictitious, might go into operation, as securely, and more profitably, than one bottomed on actual and deposited funds.

The confidence which the first bankers had so universally established, by exercising caution and honesty; and the consequent ease with which bank notes circulated every where, excited a spirit of speculation, which boldly encountering, overcame by the force of intrigue, bonussing, and bribing, obstacles, apparently insurmountable. The discipline of party and the remonstrances of leaders, in all things else despotic, were alike unavailing in their hostility. For now, in almost every state, new banks arose, in rapid succession. But few, if any, of these had any other capital than the notes of the Stockholders, the paper of other banks, and the public confidence.—Thus, while the amount of nominal banking capital was increased, the solidity of the old and honest banks was gradually undermined; and ultimately, there was little difference, as to substantial means, between the old and the new banks. What specie there was, became so scattered, being dispersed among so many different institutions, that *actual means* can hardly be supposed to have been now possessed by any.

Banking became henceforth, a mere paper system. Distended to its utmost tension, more paper could not be produced with safety to bank solvency.

Bankers having now become for the most part, mere incorporations of *speculators*—notoriously so—with scarcely any foundation but public confidence, it behoved them to operate with the most vigilant wariness and circumspection. As they had ceased

to be *capitalists*, although they continued to be *discounters*, it behoved them not to go a step further, certainly not to become *loaners*, especially for long or indefinite periods, of their bank bills.

It has been already remarked that the *public confidence* enabled the banks to keep afloat all their paper, except when, for particular occasions, specie was wanted in place of it. It should be added here, that a very great part of their paper would necessarily be kept afloat by those who borrowed it for purposes of *business*. But in their actual condition, it became essential to their safety that the paper they issued, should be confined as much as possible to *men in business*; for these would keep it suspended in *circulation*, until it was repaid to the banks for debts due to them. It became important to their safety, that they should retain an uninterrupted controul over the amount of their issues. By discounts, at *sixty days*, they would always have this controul; by loans for years, they would lose it, to the amount of those loans.

If, in illustration, we suppose, that a bank discounts notes, at sixty days, and that it discounts or issues every day a sixtieth part of the total amount of its discounts, we know that it becomes every day repossessed of a sixtieth part of its issues, and may when danger is apprehended, avoid it, by not rediscounting or issuing what has been thus repaid to it.

It is for this reason among others, that all well regulated banks discount at short dates, instead of loaning at long periods; for in the latter case, having parted with their bills, and having no controul over their debtors, they would have no means, with which to meet an unexpected call for specie.

If a bank is sure to receive daily, as much of its paper, in payments as it issues daily, by discounting, it is very evident that it issues no more than is required for circulation. As long as the heart receives as much blood as it issues, circulation is kept up, and health and vigour secured to the system. But if a great part of what is issued, is let out by opening a vein, the principle of circulation is destroyed, and the system decays.

So long as banks lend to those who must pay them again; so long as they lend almost exclusively to such; so long are they certain of having almost all they issue kept suspended in circulation. This is not a



mere theory : upon no other principle can it be accounted for, that the banks were at one time able to contract debts to ten times the amount perhaps of the specie in their vaults, without being ever disturbed.

How then has it happened, that they are able to do it no longer? A correct answer to this question, is most important; because it ascertains the cause of the disease, and leaves the physician no other task, than to remove it, and thus to restore the patient to health.

The banks have been obliged to stop payment, because they loaned their bank notes, payable on demand, to those who were not to repay these bank notes to them. They loaned their bills, to be repaid at long or indefinite periods; instead of issuing them in consequence of discounts at short periods, as had always been their practice, and ascertained to be a safe one before. These bills, thus loaned, did not return to the banks in payment of notes falling due to the banks: the holders had no dealings with the banks. They returned, *accompanied by a demand of specie*. The amount, issued in consequence of loans to government was greater than all the specie in their vaults. Added to this, the public confidence, not so much perhaps in the *ultimate ability*, as in the *punctuality* of the banks was shaken, as soon as it was known that they had lent vast sums to those, who not only were for the present unable, but who were not even obliged, to pay. Deposits were now withdrawn; specie was demanded, not only from want of confidence in the punctuality of the banks, but because it began to be supposed that it would soon command a premium. Alarm on one side, and the love of gain on the other, brought many demands on the banks, in addition to those which arose from notes loaned to government. It was impossible for the banks to resist such a stream of demands; and they very prudently closed their vaults.

The banks stopped payment indeed: but they were not insolvent. From that day to this they have never been insolvent. They possessed more, much more, than all they owed; very much more than they would be called upon to pay, considering how much of their paper was constantly required for *circulation*.

They had stopped payment—what had they to pay their debts with? They had the notes of individuals which had been discounted by them; and the public stock,

for which they had issued their notes, now left unpaid, though demanded.

The banks were solvent then, fully and *abundantly*. They had overrated the elasticity of public confidence, and the capacity of the circulating world. They had discovered, that there was an *excess* of their paper—that there was more than was needed for actual use.

What then, became their duty? Clearly, by some system or other to produce means for *absorbing this excess*.

It was certain that the bills they had issued for the public stock they took, could not be kept in circulation. What then was their duty? Clearly, to take back those bills, and how could that be done? by selling their stock for them.

It may be said, indeed, that the market was glutted with this stock during the war, and that it could not have been sold, except at great loss; and hence it may be contended, perhaps, that it could not have been reasonably demanded of them that they should incur a loss merely because they had loaned money from patriotic considerations, to the government.

This idea can have weight only with those, who have persuaded themselves to believe, that banks were established as *patriotic loan offices*, and not for commercial purposes.

It may also be inquired, in what the patriotism consisted, if there could not, by any possibility, be a sacrifice?

These patriotic banks subscribed for stock, upon exactly the same terms, that patriotic individuals, *of like sort*, did. When it seemed to assure a profit to subscribe at par, they subscribed at par—when they were able to get stock at eighty-eight, and eighty, for a hundred, they took it at eighty-eight and eighty. But when they were requested to lend, though for the defence of their own city, they refused treasury notes—all but the Bank of America, but were patriotic enough, nevertheless, to lend on corporation bonds. But even on United States stock their patriotism played a secure, and always a profitable game.

If the interest should be punctually paid, they were sure to receive interest for more than they had advanced. If it should not be so paid, they had only to stop payment themselves; a secure resource against the worst that could happen.

But the fact is, that the interest has been, and continues to be, punctually paid—



usurious interest. To obtain a right to this interest, they have issued bills, which they refuse to pay. The effect is, that on their own debts, which they do not discharge, they pay no interest; while on the stock, the holding of which keeps them in debt, they draw a regular and certain interest. This is unquestionably turning *patriotism* to a very profitable account; if we must needs dignify with that appellation, a conduct which is nothing but mere rank speculation.

If however, it should be conceded that it was but due to their patriotism, to consent that they should not lose, because they had exercised this great virtue, with so little regard to their actual means: if they are to be excused for not selling their stock, to enable them to pay their debts, by what logic will it be attempted to justify loans, and the receipt of public securities, bearing interest, *be it remembered*, subsequently to their bankruptcy, as declared by themselves. As honorable institutions, guardians of public punctuality, how are they to be justified for the hideous example they exhibited to the community, when they contracted new engagements, by which they were to secure new profits, at a time when they were confessedly unable to make good their old engagements?

Was it *patriotism*, that disinterested, magnanimous inspiration, patriotism? If it was indeed that, how much is it to be regretted, that the making of large gains should have been the consequence. Full dividends, realized by bankrupts; large profits divided among stockholders, who refuse payment of their debts; may be evidences of modern patriotism, but they cannot be reconciled to old fashioned honesty.

Whether the original bankruptcy of the banks was the result of patriotism, or of rank speculation, is not perhaps a point so important to be ascertained, as whether, since their bankruptcy, they have fairly and honourably applied their means to do justice to their creditors, and thus to restore the general currency to value. If it shall appear that they have not: and especially if it shall appear, that so far from *attempting* it, they have plunged on, heedless of every consideration, but that of mere gain, increasing their issues, by receiving public securities, bearing interest, denying both payment and interest to their creditors, and all this, after promises deliberately made, and solemnly reiterated, whatever other

considerations may arise, that which regards *them*, will not, it is presumed, be favourable.

The *active* capital of the Banks in this city, by which is meant that portion actually employed in banking, is about thirteen millions and a half; and is employed as follows, by the

Mechanics' Bank	\$2,000,000
Union	1,800,000
Manhattan	1,850,000
Merchants'	1,490,000
New-York	965,000
Bank of America	3,300,000
City Bank	1,410,000
Manufacturing Company,	700,000

*Total* \$13,515,000

In order to make a tolerably distinct estimate of their profits, it is now necessary to ascertain the amount of the loans which have been, in various forms, made by them; the consequent amount of paper which they have in circulation, and (which is but the same thing) the credits on their books, for all which they receive interest. These may be safely stated at *twenty-three* millions; and from a cause which shall be hereafter explained, this amount is continually increasing and increasing too, beyond all calculation, because the banks themselves have no longer a controul over it. Twenty-three millions:—but a late advocate of the banks insists that it is only *twenty-two* millions. Admitting that amount, for the sake of expedition, to be the correct one, it follows, that the banks make dividends on a sum, which exceeds their active capital, about *eight* millions and a half, yielding its stockholders about half a million in dividends. *This profit* is derived from their mere credit, without any cost or consideration whatever. Of the eight and an half millions excess beyond their capital, five millions have been issued in the purchase of, and in exchange for, government securities, of various sorts, bearing interest.

We have been speaking hitherto of "*the banks*," as if no distinctions were to be made between them. It is now time to make the proper discrimination. Among each other the directors have already, in their conversations, fallen into the familiar distinctions of the "*debtor banks*," and the "*creditor banks*." By the former are meant, those, whose paper has accumulated in the latter, to an amount, which cannot be taken

up. The debtor banks, the banks who are indebted to the others, have become so indebted because they hold large amounts of public securities, bearing interest, for which they have issued their bank notes to go *vernment*, and which notes have found their way into the other banks. To keep the creditor banks quiet, however, and as much as possible, in good humour, it has been stipulated that they shall charge interest on these accumulations. The practical effect therefore, is, that the debtor banks make their profit by trusting *government*; and the creditor banks make theirs by trusting the debtor banks. The debtor banks give out their notes in exchange for treasury notes, bearing interest; and the creditor banks charge interest on the notes they receive of the debtor banks. But if these notes accumulate in the hands of individuals, no interest is allowed *them*, unless they compel its payment by law. And thus the banks have established a rule of justice towards each other, in itself very correct, but which they refuse, however, to extend to the rest of the community.

It is important to our subject, that the reader should correctly understand the course of the banks in relation to treasury notes. We hope, therefore, to be pardoned, for what to some may appear to be unnecessarily minute.

Some months since, the secretary of the Treasury proposed to all the banks in the U. S. that they should receive treasury notes when offered them, and give their own notes in Exchange for them; and also that they should receive their own notes when required and give treasury notes in exchange; accompanying this proposition at the same time by a threat, that the treasury should not receive the paper of those banks, which did not receive treasury notes! At a meeting of a select committee of our banks, appointed to consider these propositions, it was resolved not to agree to them. Three of the banks, and of course they are the three who have been called, because they have become, the *debtor banks*, did afterwards however, by a private and separate arrangement, made by agents, sent to Philadelphia on purpose, agree to those propositions without the consent or knowledge of the five other banks; so that these banks now receive treasury notes from any one who presents them, and issue their bills in exchange for them, when required. And here we submit to the reader

or whether it does not follow necessarily and inevitably, that these banks have parted with all power of control over their issues? That department of the bank has been abandoned to the secretary of the treasury; for it is very clear, that he may to-morrow, if he pleases, cause these banks to add, if he pleases, twenty millions to that excess of paper, which is the true cause of depreciation. That this excess is continually increasing, is most notorious; to what *extent*, is one of those bank secrets which all their caution has not prevented us from *penetrating*.

Among others, this singular and ludicrous consequence has followed: The U States take only the bills of those banks which cannot keep their accounts even with the other banks; and refuse to receive the bills of those banks which are immense *creditors* of the banks whose bills are received.

And the practical result will be, that so long as the notes of these banks continue to be deemed worth more than treasury notes, so long will treasury notes continue to be presented and bank notes issued in exchange for them. When these bank notes from the quantity afloat, become degraded below treasury notes, this practice will cease. But the affairs of the banks will be by that time, utterly irretrievable, and they will follow the fate of all banks, which have been the mere machines of government.

These explanations being essential to a correct understanding of the whole subject, we now recur to the facts that the whole amount of loans of all sorts made by our banks, is say

Their active capital, \$22,000,000  
13,500,000

Leaving them a profit on \$8,500,000 which does not belong to them. And that at least \$5,000,000 is loaned in various forms, to government, the amount of which is continually increasing.

If *excessive issues* are the cause of depreciation, to retrench those issues would necessarily diminish the depreciation; and completely to *destroy* the *excess*, would be completely to *destroy* the *depreciation*. By the same rule to increase the excess must be to increase the depreciation.

In part at least, the existing *excess* has been occasioned by the issue of the \$5,000,000 to government. It constitutes nearly *twenty per cent* of the whole amount of



loans. Why then may it not be contended, that if the *excess* of issues has produced a depreciation of *fourteen per cent*, it should follow that to reduce the whole amount of issues, *twenty per cent* would certainly put an end to the *depreciation of fourteen*? And if so, does it not follow that the banks can resume specie payments, without at all disturbing the commercial world, if it should so please them?

They might at least make the attempt. But they have never done so. On the contrary, *three* of them have given up all control over the amount of their issues to the secretary of the treasury; and the rest take the notes of these banks, indifferent to the amount, because they charge the makers of them with *interest*!

Can it be possible that such a course will eventuate in the resumption of specie payments? Can it be possible that those who pursue it can ever have for one moment expected it? Can it be possible that the community should be longer deceived? We say *deceived*; for deceived they certainly have been. We shall proceed to detail by what means and in what manner. And great indeed is our error if we do not satisfy this community that the banks have regarded their stipulations neither with the community, nor the legislature, nor each other.

Specie payments were suspended by the banks in August, 1814. Contemporaneously with this event, they adopted resolutions to the following effect:

1. To suspend specie payments;
2. To continue to take each others notes.
3. To keep an interest account, each with the others; and that the debtor banks should pay interest monthly.
4. That no bank should *increase its loans*, except when *bound* to loan to the state government, or by general consent of all the banks.
5. That the *debtor banks* should reduce their discounts, whenever it should be recommended by the general committee.

The reader is earnestly requested to bear in mind, as we proceed, that the *fourth* resolution substantially covenants that the *then existing amount* should be the *limit* of bank loans; and that the *fifth*, places the debtor banks, in regard to the *reduction of loans*, unconditionally under the direction of the others.

As they stand, these resolutions indicate a sagacious discernment of the *temptations* which would beset the banks in this new course; but above all, they contain a precise acknowledgement of the principles contended for in this appeal: a *precise confession*, that their general inability to pay specie at that time, had been produced by the previous *excesses* of the debtor banks; and which excesses, we all know, consisted in *loans to government*.

If then transgressions have been subsequently committed by the debtor banks, and tolerated by the others, they cannot, like preceding errors, be attributed to ignorance or miscalculations. From this time forward, their course, if wrong, was wilfully wrong. For seven months afterwards, no attempt, of which the public has been apprised, was made to retrench the excessive issues. It might be added, indeed, that loans were made to the city. But that being at a crisis of great danger is fairly excusable; and would perhaps have been commendable, if credit had been given to the general government.

But in February, 1815, peace was restored. And we can all easily enough remember that specie fell from fourteen to three per cent: so general was the impression that specie payments would be resumed. The public expectation received, however no nutriment from the banks; and the *public confidence*, seeking to be won, was repelled without a single effort to secure it. The consequence was, that specie immediately mounted again to its original elevation.

This unexpected, this unnecessary, this wilful perseverance in the non paying system, astonishing to all, could not fail to arrest the attention of the legislature. And a bill was introduced into the house of assembly, subjecting bank notes to an interest of *fourteen per cent. per annum*, if payment should be refused, after the first day of January, 1816. While this bill was pending, the following resolutions were transmitted to Albany, and read in the house:

"At a meeting of the general committee of the banks of the city of New-York, April 8th, 1815.

"Resolved UNANIMOUSLY, That the debtor banks be required to *reduce their loans*; and to



continue to reduce them, until the balance due the creditor banks shall be liquidated.

"Resolved UNANIMOUSLY, That the banks in the city of New-York *pledge themselves* to the public, and to each other, that they will uniformly exert themselves to resume their specie payments, and that they will make any reasonable *sacrifice* to hasten this *desirable* event."

As upon the former, so upon this occasion, all the banks substantially assent, and the debtor banks specifically confess, that the *excesses* of the debtor banks are the cause of the non-payment of specie. And the most specific pledges are tendered to the legislature, not only that in regard to all means, there shall be a uniform exertion to resume specie payments; and of their determination to make all the requisite *sacrifices*, but especially is the *cause of the whole evil*, the excesses the debtor banks solemnly promised to be removed.

At the moment however, when they were announced, we could not repress our distrust of the sincerity of these engagements. They had been made before, and disregarded. But now, the solemnity of the pledge, the occasion on which it was made, the body to which it was presented, seemed all to exclude the possibility that they could be afterwards utterly disregarded.

Confident, however, as we were, that the sale of the *public securities*, held by the *debtor banks*, as well as some of the others, would more than absorb the excess, and of course correct the depreciation—we could, not without alarm, remark, how carefully, as well as uniformly, the *reduction of discounts* was suggested, as an indispensable expedient, while their public securities, ample and abundant, were no more hinted at, than if they had neither been the cause of the evil, nor could be employed in its correction. It may not have been designed to alarm the merchants; but it certainly had the effect, and if it was so designed, no want of sagacity is displayed. If the merchant was made to fear, that his individual ruin would be involved in the process of the reform, it could hardly be hoped that he would become its advocate.

The resolutions of the banks, accompanied by representations that legislative interposition would embarrass measures already adopted, and to be perseveringly pursued, arrested the progress of the bill; and the public were left to repose on the assurances and fidelity of the banks, for the attainment of the "desirable" object.

After the adjournment of the legislature,

no measures, with which the public are acquainted, were taken, in pursuance of the above resolutions.

Several banks in the state of Connecticut, which had been more than common sufferers, in the general calamity, addressed the committee, in July following. And so successfully had the *reductions of discounts* been presented as an indispensable preparative for restoring credit to the paper of the city, that the Connecticut banks point to that, as a principal measure to be adopted, and the reader will not fail to remark, how carefully the sentiment is preserved in the *reply* of the committee.

The *reply* also will go far to shew how completely the penitence, which had been produced by the terrors of April, had subsided in the security of July.

We give the address and reply, at length.

"To the Committee of the Banks in the city of New-York.

"Gentlemen,

"As a committee from the several banks in Connecticut, for which we respectively subscribe, we convened at Middletown, on the 7th instant to take into consideration the present embarrassed state of the paper currency, resulting from the suspension of specie payments. The banks in the city of New-York, located in the principal seat of mercantile operations, vested with large capitals, furnishing the great mass of circulating medium in this section of the United States, and under a direction deservedly esteemed for financial skill, cannot fail to perceive at once, the difficulty of changing, and the danger of pursuing, the present system.

The augmentation of the demand for money, occasioned by the revival of commerce, and the continued scarcity of specie, have furnished motives for prolonging a course, at first the result of necessity alone. When specie payments were first suspended, the community acquiesced in the measure, under the confident expectation, that they would be resumed on the return of peace. A sale of the public stock belonging to the banks, an abridgement of discounts, and consequent reduction of the quantity of paper in circulation, would, it is believed have enabled them to meet the public expectation, by availing themselves of the specie then in the country. Under existing circumstances, when every course is difficult and embarrassing, it is the part of wisdom to select that, which will be ultimately least injurious to the monied institutions, and to the community at large. A change, if necessary, as we have no doubt it is, should be gradually effected, and so as to cause no sudden convulsions in the mercantile interest, and to enable individuals who depend on banks, to suit their own arrangements to the narrower limits, to which the accommodations must be reduced. Whether the banks can pos-

sibly persevere in emitting paper, without regarding it, is a question of moment, and we believe of very easy solution. The proposition is conclusively settled by experience, that the value of a paper medium must be proportionate to the security on which it rests, and the facility with which it is converted into specie. This is a law which no public authority, financial expedients or mercantile combinations, can materially affect. The brief experiment already made under the auspices of a patronage, unexampled, and almost universal, would of itself, evince that no human skill or power can alone sustain the credit of a paper currency. A great depreciation has already taken place, and is increasing like the velocity of a falling body. When the channels of commerce are filled with paper, specie is expelled from the country, and the quantity of depreciated paper, to supply the demands of commerce, must be inversely as its value. Hence it is very evident, that if scarcity of specie prevents the redemption of paper, the former will be diminished, and the latter incalculably increased, by the mere existence of the present system; and of course, that which is already difficult, will soon become impossible. It is now as easy to foresee, as it will soon be painful to experience, the impending crisis. The great premium on specie, as well as other considerations, will prompt the creditors of the banks to legal coercion. Whatever sound policy might dictate, we believe it not in the power of the state legislatures, to afford banks any protection against suits at law. The constitution of the United States has disabled them from impairing the obligations of contracts; and the laws of the union have provided for removing to the national courts, in the last resort, all cases, which turn on the construction of the constitution. We cannot, therefore, expect protection from the state authorities. But were we secure against any attempt to enforce payment of our bank notes by legal process, other considerations sufficiently prove the impolicy of refusing to fulfil our contracts. Specie being expelled from the country, the paper of our debtors will be no better than our own. Property in the shape of contracts will be of no determinate value; industry will be paralyzed; morals corrupted; banks dishonored; commerce greatly embarrassed; and credit, both public and private, annihilated. But with whatever success, the system might be pursued, we think that considerations of justice would alone be sufficient to decide the point. Why should dividends be made on a principal, which requires no capital, and large emoluments received by the stockholders, while their creditors are denied both principal and interest? But we forbear further to pursue a detail of considerations, already so obvious to the enlightened gentlemen, whom we have the honor to address. We trust that you deplore, equally with ourselves, the evils which are felt and anticipated; and with no less anxiety, the general ruin, which we are solicitous to prevent. We believe also,

gentlemen, that you will acknowledge the vital interest which our respective states in general, and our menied institutions in particular, have in the speedy adoption of some course, which will gradually conduce to the security and redemption of the bank paper in circulation. But while our mutual interests, a sense of justice, and a regard to the common welfare, compel us to press this subject on your consideration with great earnestness, we wish to be distinctly understood, not to claim the *immediate* adoption of specie payments. That would probably be impossible. We do however most decidedly declare our opinion, that the present course, if persevered in, will result in extensive injustice and ruin. If discounts are but reasonably contracted, and the immense mass of paper in circulation consequently diminished, specie will return to the country, and supply its place. The embarrassments of the merchant, if he is previously notified, will be very inconsiderable, when contrasted with the desolating calamity, which otherwise awaits him. The sacrifice of profits by the banks themselves, cannot for a moment deter them from the measure, while those profits result, in so great a degree, from the creditor's capital, and not their own. If in the mean time, no dividends are made among the stockholders, until specie payments shall be resumed, the preservation of the whole funds by the corporations will enhance the security to which the creditor is justly entitled. Under such an arrangement, the ultimate redemption of the paper, and preservation of the entire funds, as a security, would be attained; specie, gradually restored to the country; the depreciation of the currency checked; and those public convulsions, which are apprehended with dismay, be no longer an object of alarm. We, therefore, respectfully submit for your consideration, the following proposition, which, from its very reasonable character, we confidently trust, will be cheerfully agreed to: That the banks respectively adopt a resolution, to be perseveringly adhered to, to redeem their loans at the rate of two per cent per month, until specie payments are resumed."

Signed, &c.

#### REPLY.

"The General Committee of the banks in New-York, have considered the communication from the Convention of sundry banks in Connecticut, with the attention due to representations from a source so respectable. The Committee are fully sensible of the necessity of a vigilant attention to the amount of the paper in circulation, and of the importance of PREVENTING ANY UN-DUE EMISSION. BUT, after mature consideration of the subject, they are of opinion, that the regulation of it must be left to the banks in the city, unrestrained by any specific pledge on the subject. The banks in the city of New-York had already greatly reduced the usual amount of their loans, at the period when a suspension of



specie payments was rendered necessary by the *difficulties of the times*; but deeply impressed with the necessity of *limiting the issues of a paper*, as the only means of preventing its depreciation, they entered into an association, not to increase the amount of the loans, then actually made, except by *general consent*, or in cases, where banks were bound by their charters, to lend to the state.

"At a meeting of the citizens of New-York, held on this subject, the general committee of the banks, gave a PLEDGE to the public, to the same effect. The course then agreed upon, has been rigidly adhered to; and notwithstanding loans to a large amount have been required by the state, under the provisions of the charters, of sundry banks, and heavy advances have been made to the corporation of the city, for defence against expected invasion, as well as to the United States, for the express purpose of paying the interest on the public debt, due in this city: objects, which the Committee are decidedly of opinion, met the countenance and approbation of all classes of their fellow citizens, which have altogether amounted to about *three millions of dollars*. Yet, the amount of loans, made by the banks collectively, at this time, does not exceed the amount at the period of suspending specie payments, more than three per cent, on the capitals of the banks. It results from these facts, that the commercial loans have been diminished by nearly three millions of dollars.

The general committee, continue as much as ever impressed with the necessity of watching, with the utmost solicitude, *the amount of issues*, and of being ready to embrace any opportunity of safely resuming payments in specie; which alone in the opinion of the general committee can form any *effectual permanent basis* for a paper circulation. The committee are desirous still to pursue the course, most conducive to the attainment of this object, and to make *as great and rapid a reduction of loans*, as may be found practicable with a due regard to the general state of commerce, and the safety of the banks, so much dependant on the support of commercial credit.

"With these views of the subject, the general committee have invariably recommended to their respective boards of directors, to pursue the cause originally adopted; but they are of opinion, that the banks in the city are, alone, competent to decide upon the rate of reduction; and it is therefore unanimously resolved, that it is inexpedient to make any specific pledge on the subject of a reduction of loans."

*Signed, &c.*

"On the 4th of October, 1815, three gentlemen, to whom the general committee of the banks had referred a certain resolution of the Bank of America, made a report, which was sanctioned by all the city banks. The reader will find that this document recognizes all the doctrines for which we con-

tend. But he will find too, that while it contains no allusion to the public securities held by the banks, it assumes, as matter of course, that the restoration of paper can be effected only by a *reduction of loans*:

#### REPORT.

The committee, to whom was referred by the general committee of the banks in New-York, resolution of the Bank of America, relating to the resumption of payments in specie, consider themselves called upon to inquire only how the banks shall prepare for the resumption of the payments and when it will be feasible.

They do not consider themselves called upon to discuss the question of the expediency of return to specie payments, knowing that the public have full right to claim such return, and that it is the imperious duty of the banks to prepare, within a reasonable time, for the satisfaction of that claim, yet they cannot but express their firm conviction, that the interest of the stockholders of the several banks, would be essentially promoted, by replacing the banks as early as possible, on a specie establishment. In the opinion of the committee, the *preparation must consist in a reduction of loans*, where by the demands upon the banks, will be made to bear a smaller proportion, than at present to the amount of their metallic means, and whereby also bank notes will be rendered more valuable, and the inducement to call on the banks for specie be, in consequence, greatly diminished. The time, when the banks can resume their payments in specie, must depend upon the *extent and rapidity of the reduction of loans*, and also upon the question, whether the banks of Philadelphia and Baltimore will co-operate in measures for this purpose. The committee are not informed that the subject has received any attention in Baltimore, but they are informed that the banks in Philadelphia have appointed committees jointly to take it into consideration. Should the banks in either or both those cities concur with the banks of New-York, a much smaller reduction of loans would be required, than if the banks of this city proceed alone. The committee, therefore, must decline naming a day for the full resumption of specie payments, hoping that the concurrence of the Southern banks will enable their general committee, hereafter to name an earlier day than can now be safely designated. They would gladly propose a specific reduction of loans and a fixed time for recommencing payments in specie—but under present circumstances, they content themselves with proposing to the general committee the adoption of the following preamble and resolutions, subject to the approbation of their respective boards of directors.

Whereas it is deemed both *just and expedient*, that the banks in the city of New-York should recur, as early as practicable, to the payment of specie. And whereas it is deemed *essentially necessary* to the fair attainment of this object that a *large reduction of their loans be made*,



and so made, as to be duly apportioned to the relative situation of the several banks of the city; and whereas also, it is considered highly important to obtain the concurrence of the banks of Philadelphia and Baltimore.

Therefore, resolved, that the banks in the city of New-York, will so far *reduce* the amount of their *loans*, as may be necessary to *enable* them to resume their payments in specie.

Resolved, that no bank in the city of New-York, shall in the aggregate, be in debt to the other banks on, or after the first of January next, more than \$100,000—nor on or after the first of March next, more than \$250,000—nor on or after the first of May next, more than \$100,000—and that on the first of July next, or as much earlier as the banks may resume their specie payments, the debt, then existing between them, shall be liquidated in specie to the amount of the balance, which each debtor bank may owe in the aggregate.

Resolved, that the copy of the proceeding preamble and resolutions, be transmitted to the chairman of the joint committees, of the banks of Philadelphia, and to any committee representing the banks of Baltimore, requesting their concurrence in the adoption of measures, *for the requisite and fair reduction of loans*, and inviting them to name, jointly, with the banks of New-York, a day, beyond which, the payment of specie shall not be suspended.

New-York, 4th Oct. 1825.

Signed,

LYNDE CATLIN.

D. I. GREENF.

GEO. NEWBOLD.

A careful perusal of what has been said, and of the different documents now laid before the public, will establish, and we trust, have satisfied every reader,

That the "diseased condition" of the paper currency is a deplorable evil;

That it has been occasioned by *excessive* issues of bank notes;

That these excessive issues have been the consequence, not of *discounts* to *merchants*, but of *loans* to *government*; and therefore,

That it is in the power of the banks to retrench the *excesses*; simply by undoing that which has been injudiciously done; and that they will thereby render themselves able to resume specie payments.

That inasmuch as the exchanging of bank notes, for public securities, produced an excess of bank notes: so, to exchange public securities for bank notes, will draw in, and destroy the excess.

But it has been advanced in behalf of these banks, that the sale of their *public securities* would involve them in great loss. This might be satisfactorily enough answered,

by saying, that they continue to receive these public securities; and therefore, that the directors of the banks do not understand the value of them, in which case, they ought, for the good of all parties, to be stopped from receiving more of them; or, that they are good and substantial property, in which case, they may be disposed of, at the same they cost, at least.

But further, it may be remarked, that the restoration of our national credit has rendered this stock one of the most eligible investments of money-capital in England, and the only reason why it does not now command a premium in that country, is the depreciation of the currency of this. The holder there is obliged to receive his interest in the United States, and sustain a loss proportioned to the depression of our medium. But this difficulty is obviated by the very operation itself. The offers for sale might be accompanied with a guarantee, that the interest should be paid in that country, or in an undepreciated currency in this. If, however, due allowance is made for its original cost, the revenue it has already yielded, and the advantage derived from paper emissions, for which nothing has yet been given in return, it is hardly possible but that the whole transaction should yield a profit to the banks in its direct result, in addition to the important objects which the sale would promote.

It has been said, however, that the balance of trade is against the United States and that to resume payments, will certainly send specie out of the country. At the time we are writing, dollars, which in England are not legal tender, are about four per cent *below* par. And at the time, when a very indecent and scurrilous attack was made in the National Advocate, upon one of the creditors of the banks; they were but four, although that writer stated them to be twelve per cent above par; and contended that, in case the banks paid specie, remittances might be made to England twenty-three per cent cheaper than in bills of exchange. The fact is, that at that very time, dollars were at 4-8 in England, their standard value being 4-6; and bills of exchange on England could be purchased at five per cent below par, for specie, in New-York. From these facts it follows, that one hundred dollars would buy 104 of bank of England paper, in England. But the freight, insurance and commissions, would

be at least *five per cent*, so that they would actually nett, in England, 99 dollars. At that very time, 100 dollars in specie would purchase here, a bill on England, payable in English bank bills, for 105 dollars, which, with the reduction of one per cent for 60 days discount after sight, leaves 104 dollars; exactly *five dollars* more than a shipment of specie would have produced!

At this moment, however, dollars are below par in England; and we presume, that there can now be no conceivable temptation to ship them to that country.

Having showed, that upon a restoration of the currency, stock might be sold at a profit in England; and, that there is no danger of our dollars being drawn thither, we return to the conduct of the banks.

When they stopped payment, the banks made a pledge, which produced a general confidence, that they would then retrench.

When the legislature seemed disposed to charge them with double interest, because they were making double profits, they again promised to retrench. So far from disguising the fact, they uniformly confess, what is in itself palpable, that retrenchment is the only cure for the disease.

But how shall this be brought about? The banks uniformly insist that it must be by a *reduction of loans*.

We insist, on the contrary, that we have demonstrated, that it can and ought to be done, by a sale of their stock; and not by retrenching their loans to individuals. The first will merely lessen the amount of *dividends*: the latter would unnecessarily and unwarrantably embarrass the merchants.

It appears, from the *reply* to the Connecticut banks, that in July, the *commercial* loans had already been *reduced* nearly *three millions*, below what their amount was, when payments were suspended. But it is at the same time acknowledged, that the whole amount of loans had been increased *three per cent*. on the capitals of the banks; and this *before* the system of receiving treasury notes was adopted. The effect of that system, as we have been recently enabled to ascertain, has been to produce in the *creditor* banks, an accumulation of the notes of the *debtor* banks of between two and *three millions*: although the balances, when payments were suspended, were less than *three hundred thousand*.

To what end then, are *commercial* loans reduced, if the whole amount of issues is regularly increased? As to the debtor

banks what reliance can be placed upon their engagements to the public if so far from endeavoring to fulfil them, they have put it utterly out of their power to do so? And as to the creditor banks, what reliance can be placed upon their pledges, if they indulge their debtors in these dreadful excesses, to participate in the profits?

The different documents we have laid before the reader uniformly admit, that the liquidation of the balances due to the creditor banks must necessarily precede the resumption of specie payments. And as uniformly is the hope encouraged that they shall be liquidated: but the practice has been no less invariable, advisedly and illimitably to increase them.

The resolutions of August, 1814, reconciled us to the suspension of payments.

Those of April, 1815, prevented legislative interference.

Those of October promise as fairly, but how can we confide in them?

The promises of August, 1814, and of April, 1815, it was in the power of the banks to perform. But they were disregarded.

Those of October cannot be performed, so long as bank notes are exchanged for treasury notes. How then can we rely upon them?

On one side the most solemn engagements are made, violated, and renewed with the public. On the other, engagements are made with the secretary of the treasury, performance of which renders performance of the others impossible. To demand confidence under such circumstances would be as preposterous, as it would be ridiculous to yield it. So long as Mr. Dallas can pump up their notes at pleasure, so long will it be in vain to hope a correction of that *excess* of paper, which is the cause of its *depreciation*.

In the mean time, honest and meritorious creditors can receive neither payment nor interest, from those who riot in the full delights of *nine per cent dividends*! and whose dividends will increase exactly in proportion as their paper becomes worthless! For it is as ludicrous, as it is lamentable, that while their notes are twelve per cent *below par*, their stock is from fifteen to thirty per cent *above par*. The more paper the more depreciation, it is true—but the more profit, also.

If the community are disposed to indulge them, in this course, **THEY** will hardly feel



a motive to abandon it. A sense of justice might prompt to it; but as corporations have no souls, they can commit no crimes.

*Is there then a hope that the banks will resume specie payments without being compelled?* Unreservedly and unhesitatingly, we answer, no! We have proved them to have been unwilling at the outset; and by the arrangements with the treasury, unable; at the conclusion.

The evils attendant on such a state of things have been so uniformly confessed by the banks themselves, that it seems almost unnecessary to speak of them further. We hope, however, for the readers patience, while we particularize a few of them.

The rise in prices has been commensurate with the depreciation of paper, in almost all cases; in many, far beyond it. All those, whose revenues are fixed by law, by contract, or custom, sustain a loss on their incomes, equal to the rise in prices. The expenses of living have been increased at least twenty-five per cent; and just as great as this increase is, the actual value of *fixed* incomes and earnings is diminished.

The operations of the treasury are degraded by the general evil, and in various forms, inevitable injustice is done, both to the debtors and the creditors of government. *Equality of taxation* cannot be preserved, while in one section of the country public revenues must be paid in a currency more valuable than is received in another. The *very faith* of the nation is violated, when *revenues*, pledged for the redemption of the public debt, are collected in a currency below the standard of gold and silver; for the pledge is thereby annihilated, and the notes of government, or some other mere credit, substituted in its place.

In addition to this we have seen, in the official communications of the secretary of the treasury, many of the extreme embarrassments of that department, both in the collection and disbursement of the public treasures. Loud have been the complaints of government, and severe the losses and sufferings of our citizens.

The reputation of bank paper is drawing to a crisis. The hope of specie payment being ever resumed, is almost extinguished. When that hope shall be entirely extinguished, those who are acquainted with what constitutes the *value of money*, will calculate the worth of a currency, which is neither property, nor evidence of property; and of which no use can be made, but to

pay debts due to banks, but which all other creditors may refuse: A currency, therefore, valuable only to debtors, and that only in certain cases; but utterly useless to capitalists.

To the merchant, while he has no capital, such a currency may be as good as any other. But when his profits should make him a capitalist, he cannot realize them.

The balance of trade is now between twelve and twenty millions in favour of this city. If specie payments were to be resumed, that balance would have to be paid in specie, or in paper estimated at specie value. This would more than counterbalance any inconvenience resulting from a diminution of the amount of currency, and would enable the banks to go on with liberality, and in security.

We hope to be pardoned if we now declare our absolute conviction, that we have fully established,

1. That the banks ought to pay.
2. That they can pay.
3. That they will not pay. And we trust, in conclusion, that every reader will agree
4. That they ought to be *made* to pay.

To those who assent to these positions, it will be evident, that every fair act of coercion is laudable, and entitled to applause and support. And every man who shall lend his aid in it, is entitled to be considered a public benefactor.

Having discussed some of the general points in relation to the banking system of the present day, and exhibited the conduct of the banks, towards the public at large, we hope to merit their approbation by placing before them the history of a particular transaction, not merely because it will be found in itself interesting, but to repel the basest of all calumnies; as false, as they are unprovoked; as malicious, as the subject of them has been unoffending and meritorious.

Those who want, and who therefore borrow money, bring *profit* to a bank. Those who are worth money, themselves, and who receive bank notes as money, are they who give character and credit to the bank notes. If enough borrowers do not apply, *lean dividends* are the consequence. If actual capitalists will not take bank notes, *depreciation* follows. The first affects the interests of the bank; the latter is a public injury.

Although we are much in the habit of considering banks as distributors of *favors*,



yet we should not forget that they have also *duties* to perform. And although it is most commendable to be *generous*, it is of primary obligation to be *just*. To be generous at the expense of others, to *grant favours to many*, while you *deny justice to all*, argues but little *moral* refinement. But to deny justice, wantonly, obstinately, perseveringly, when it would be as easy to render, as to deny it, is a conduct, which the public will find amply detailed in the following narrative. And after its perusal, the reader will be at no loss to determine how unfounded the aspersions are which have been cast upon the motives and conduct of Mr. Brønson, for having endeavoured to obtain mere justice at their hands, by a legal prosecution, after all other means had been exhausted: and when all possible hope of a voluntary performance of their engagements, had, as we have shewn, been utterly dissipated.

We have been at some pains to obtain a correct knowledge of the circumstances, because they give a practical view of the effects upon individuals, of a rigorous non-paying system by the banks. And we think we may venture to assure our reader, that every fact set forth, is susceptible of direct proof.

During the prosperity of our monied institutions, several country banks, that they might render their paper a better medium, by enlarging the sphere of its circulation, deposited funds for its redemption in the city of New-York. This was mutually beneficial. While on the one hand, the currency thus redeemable was meliorated; the city banks, on the other, enjoyed the benefit of loaning such portion of these deposits as the nature of the arrangement might admit. Some years previous to the late war, an agreement was made, and went into operation, between the Bridgeport and the Mechanics' Bank, that the former should make a specific deposit with the latter, the full amount of which should be maintained during the existence of the arrangement—that the latter should redeem the Bridgeport bills made payable there by special contract, whenever they should be, from time to time, presented; and that all the monies thus advanced by the Mechanics' Bank, should be weekly reimbursed, without impairing the deposit, by an agent of the Bridgeport Bank in the city of New-York. At the commencement of the war, the insecure situation of the bank-

ing house at Bridgeport, on a defenceless harbour; induced the directors to transfer the *entire funds* of the corporation to the city of New-York, where they were all accordingly deposited with their agent, or held in the paper of the various banks.—These funds were about equal to all their bills in circulation, and destined to redeem them. In this condition the greatest part remained until the suspension of their payments. The bank of Bridgeport was then exposed, with very limited means in its possession, to the demands of its creditors, now made eager by the shock, which all bank credit had sustained from the newly adopted measure. Disposed, as far as possible, to do perfect justice, the directors ordered the cashier to allow interest on all demands made upon the bank—to confess judgment, without process, whenever required—to desist from all loans and reissues of paper—to call on debtors for a fair exertion of their ability to pay, and to exchange, for their own bills, the paper of the city banks at a reasonable discount. Thus every effort was made to do justice to their creditors, and no suit was in any instance commenced against the debtors of the bank. Meanwhile the bills of the Bridgeport bank which were received in the course of business, by banks whose paper it held, were by some means withdrawn from those banks, and specie demanded therefor. And what is still more oppressive, its funds in the Mechanics' Bank, and bank notes, at their specie value, are continually applied to the redemption of its bills, and the loss (which is the difference between specie and paper) is borne by the Bridgeport Bank. Let us pause a moment, and examine the character of this proceeding.

We ought never to forget, that the same rules of justice which govern the intercourse of individuals, are applicable to civil corporations. Although questions of general policy may sometime arise, which render doubtful the expediency of a strict fulfilment of contracts by a monied corporation, even where its own interests might not be essentially endangered, yet the considerations on which such doubts are excited, do not involve the present point of enquiry. The scarcity of specie, or the liberality of mercantile loans, cannot affect the question, or be affected by its result. After certain given acts (as the redemption of these bills) are performed, and have yielded all the consequence which

they have a tendency to produce, the account between the parties remains to be adjusted, and in the settlement of *that*, the most entire justice may be observed, without varying the state of affairs which the question of policy exclusively regards. In testing the above transaction, then, the principles of justice are alone to be considered.

It would seem a plain proposition, that the Bridgeport Bank was entitled to as good money as it gave, and was not *justly* compellable to allow more for paper than it was worth. If one has *taken* paper under *par*, he sustains no loss by its redemption at the same rate; but if I have given my correspondent *Cash* to redeem my notes, shall he, on losing his credit, take them up with his own at the rate of two for one, and charge *me* with the difference? He might as well have done nothing, for my debt is not diminished a cent by the operation; nay, better, for he has virtually embezzled my funds. He compels me to re-advance what was already paid. Now what is in this case true of one *hundred* per cent, is equally true of *ten*, where that is the real difference. This question, we think, is satisfactorily resolved; and if it is, the Bridgeport Bank has suffered, and is daily suffering, the most obvious injustice. Is not the truth too clear to be resisted by the most inveterate prejudice, that if A agrees to pay one hundred dollars for me, and does pay it in depreciated paper, he has paid one hundred dollars *only*? Have I more than one hundred to pay him in return? If I have previously paid that in specie, or in his own notes of equal value, which I received as specie, are we not equal in the scale of justice? Shall I, in addition to the one hundred dollars which I *have* paid, and which is equal to the debt to which it was to be appropriated, be further compelled to pay him for a loss of his own credit, however inevitable, to which I was in no degree accessory?

To return to the narrative; the great amount of Bridgeport notes in circulation, and the depreciation of the paper of the city received at par and paid away at a discount to redeem its bills, subjected the Bridgeport Bank to constant and heavy sacrifices. Neither public opinion nor judicial favour afforded any protection. The legislature, by a public act, compelled the banks in Connecticut to confess judgment, at their own expense, on all bills under 100

dollars or submit to the costs of prosecution, and to pay *nine per cent interest* on all executions after sixty days, if not previously levied by the creditor.

Thus bereft of means and reduced to extremity, the condition of this faithful but unfortunate institution, was, in February last, represented to the general committee of the city banks in the following letter.

NEW-YORK, February 10th, 1815.

Chas. Wilkes, Esq.

SIR,

It will be seen by the law lately passed by the legislature of Connecticut, that every bill issued by the banks in that state under \$100, if not paid in specie on demand, can, at the expense of the bank, be changed into a judgment and an execution, and put on interest at 9 per cent, and the payment enforced at the pleasure of the holder. This oppressive act is aimed at, and bears principally, if not entirely on the Bridgeport Bank, it being, as is believed, the only one in the state which can materially suffer by it.

It is situated in the centre of a populous district connected wholly with the New-York market, in which district there is probably 6 or 700,000 of the paper of the New-York banks in circulation, being now the only medium in use; which owing to its always having been received without discount at the bank there, passes at par by common consent, the same as in the city of New-York. The bills of Bridgeport Bank being all under \$100, subject it to the expense of a judgment and execution on each one, which together with the 9 per cent interest, all payable in specie, is sufficient at the present time to ruin the institution. To refuse taking New-York bills of our debtors in that state and this, or to demand the difference between those bills and specie, would create in the country as well as in the city, a corresponding claim on the banks here that issue them, and possibly give rise to a state of things that might derange the whole system of business. No one can be more solicitous than I am to avoid such an evil, and great sacrifices have been made already with that view; but, since we are all on a footing as to the legal obligation to pay in specie, it seems rather unreasonable that one institution should be sacrificed to ward off the evil from all the rest; especially if a remedy can be found, not incompatible with the general interest.

Our unredeemed circulation is about 150,000 dollars; with our own means we can master 80 of that, with 70,000 dollars in specie more than we have, we can redeem our outstanding paper, which will enable us to receive in payment the bills of the New-York banks as usual. Our debtors then will have no pretext for demanding specie of your banks to enable them to make payment to ours; and the paper of the former will continue to be current through a large and populous district, over which our debtors are scattered.



The banks, being thus situated, there seems to be no alternative but for the directors of the Bridgeport Bank to submit to a sacrifice of its capital, or to adopt a system of collection which in its consequences may seriously injure the banks in this city, unless they can on some terms obtain a loan of specie. If the gentlemen composing the general committee, in consideration of the peculiar situation of the respective banks, can find it expedient and compatible with the interest of the banks to advance on loan to Bridgeport Bank 70,000 dollars in specie, the most perfect and ample security shall be given to the satisfaction of the committee for the return of the specie with an interest of six per cent whenever the banks in the city shall resume their specie payments; and the committee may designate the person with whom it shall be placed, so that it be subject to redeem the bills of the bank as they shall be demanded, to be all paid out in the city; and the transaction shall be strictly and entirely confidential; trusting that this communication will be so considered whether approved or not; as the disclosure of its contents, if the proposition is rejected, might subject the bank to inconvenience.

By the terms proposed it will be perceived that when the specie can be of any use to the banks it will be at their command, and that in the mean time it will be producing them an interest.—The stipulation can provide that each bank shall receive its advance at the time it resumes its payments in specie.

If you will have the goodness to request the general committee of the banks to take this subject into consideration, you will greatly oblige

Your respectful humble servt.

(Signed, &c.)

This reasonable proposition, however, was unnoticed, and the directors were left to regret the generous confidence which had surrendered their means, instead of imitating the example of the more eastern institutions, in withdrawing all funds, in gold and silver, before payments were suspended. They are now disabled to issue paper or conduct the business of the institution—compelled to forego their emoluments and to withhold from merchants in the vicinity, their ordinary accommodations, and subjected to unreasonable losses and perpetual vexations.

It will result from this simple statement of facts, that the Bridgeport bank is a most meritorious creditor. Palpable is the injustice which it suffers. We will now attend to another consideration, namely, whether its preliminary measures have been just and honourable.

The address made in July last by several banks in Connecticut, occasioned the answer we have seen; which assumed a sort

of legislative independence, and seemed to intimate that the measure was intrusive. Though respectful, it gave no definite encouragement whatever to the applicants. We mention the address in this place, as the first of those measures which had a direct view to such an arrangement with the banks as might avoid the necessity of coercion. But in October last, Isaac Bronson, Esq. the president of the Bridgeport bank, who was deeply interested as a stockholder and bore a principal share in the privations and losses it sustained—whose individual sacrifices had been very great, and who was subjected to a constant loss of interest on a large amount of their bills, which had been taken at par for specie, or in payment of debts incurred by the loan of Specie, made a claim on the banks, accompanied with three propositions, *either* of which he declared would be satisfactory, if accepted. They were presented in writing through his attorney. Of these the following is a transcript.

I. "To allow six, or even nine months, for the payment of this demand on the transfer of stock to trustees to be agreed on, to be sold if not then paid.

II. "To accept a stipulation on their part to reduce the loans of the banks, at the rate of *two per cent. per month*, to be persevered in, until it shall result in an ability to pay, with a like transfer of stock, to be sold only in case this stipulation be violated—the interest to be paid monthly, and the principal whenever they shall be able to resume specie payments generally.

III. "To accept a stipulation, that no dividends shall be made until this demand be satisfied, the interest to be paid monthly, and stock to be transferred, in like manner, as a pledge for an adherence to this stipulation, but not to be sold so long as it shall be observed with good faith."

It is in the first place observable, that those propositions were made more than a year after specie payments were suspended, and nearly eight months after reasonable efforts had been made to get relief by a loan in the manner already stated. Late as they were, had they required the *instant* payment of specie, according to the tenor of the contract on every bill, it might have been said that due regard was not had to the convenience of the institutions. Had time been given only on condition of paying arrearages of interest, it would have

seemed a reasonable exaction; for the city banks, in the resolutions adopted in August, 1814, expressly stipulated to pay interest to *each other*, but wholly overlooked the meritorious claims of other institutions. The first proposition, authorises nine months forbearance, and merely exacts a pledge to secure payment at that period. The two others were not more favourable to the party, than to every other creditor, and in that respect, were grounded, not only on fairness, but generosity. They left the banks to pursue the courses suggested, just as long as their own interests and discretion might prescribe. The abatement of discounts, if adopted, would be so gradual, as to produce the smallest evil possible from a measure of that character; and the well known means of abbreviating the period, which I have already mentioned, would leave it in the power of the banks to make the pressure so light as to be hardly perceptible at all. The sentiment so uniformly declared, in all their resolutions, that a decrease of mercantile discounts was indispensable, seemed to make that a necessary article in the proposals, though it was known and insisted that a sale of their stock would render such decrease unnecessary. All the hazard of procrastination, from the very small ratio of the abatement, was to be encountered by the claimants, while the election of that measure, in preference to the others which were submitted, or in preference to selling their stock, must rest solely with the banks themselves. If they had the regard which they professed for the mercantile interests of the city, and considered *them* endangered by the *two per cent* abatement of discounts, the third proposition relieved them from all painful severities of that sort, while it was enforced by their love of justice, and would evince the sincerity of their professions. It is not, indeed, to be doubted, if any confidence is to be placed in the most respectable asseverations, that of those two proposals, the last would have been preferred by the banks. The pursuance of it must have inevitably resulted, in an ability to satisfy, not only this demand, but the claims of their creditors in general. The mere *suspension* of dividends is not the *loss* of them, and their application to the fulfilment of positive engagements, is neither hard nor unjust. We wish the public to subject these proposals to the severest scrutiny, and they will find in them a mode-

ration hardly to be expected from a deeply injured party, as well as a due regard to the interests and convenience of the mercantile community, and even of the banks themselves. It was on many accounts reasonable that pledges should be exacted. In a body, composed of several independent corporations, and they, again, of numerous individuals; corporations already subject to all the obligations of mere promise, and liable to legal coercion, directed by gentlemen, of honourable character indeed, but subject to the changes of elective office; the same dependence on assurances is never exacted, as in cases of private and individual responsibility. But for this principle, we never should have witnessed the sevenfold increase of the arrearages of the debtor banks under the strongest assurances of their reduction, nor the consequent continuance of the present unhappy cause. Societies consider their obligations as artificial, and are less sensible than individuals to the refinements of casuistry. No hardship could be involved in placing stock in the hands of trustees, with power to do summary justice, without the delay, expense, and embarrassment of legal remedies. It would be no less productive in their hands, than in the possession of the several corporations. The trust might have been confided to the general committee, with the sole power, under either of the two last prohibitions, of deciding on the fidelity of the banks, or of simply selling the stock at the end of six or nine months, as mentioned in the first. If any bank had not stock to pledge, it must have been a creditor bank of course, and in such case the claimant consented to substitute the bills of its debtors.

We trust, the public are now satisfied, that the suits in question were not part of a system of speculation on bank paper, a *speculation rendered impossible by the nature of the propositions*, but were grounded on most righteous and honourable claims; and that every reasonable attempt was made before their commencement, to prevent a resort to the laws of the land. If it was admissible to make proposals at all, can we conceive of any, more temperate or fair than were made on this occasion? If injustice must be patiently borne, merely for the profit of those who inflict it, of what use are the laws and institutions of civil society? Is the complaint reasonable, that these suits tend to curtail bank discounts, when the



consent of the banks to suspend their *own* dividends until they had done justice to creditors, would have superseded their use? creditors too, whose only error, was confidence in those who resist their claims? So far otherwise, that the more liberal the discounts, within any prudent limits, the greater the means which such a measure would afford, and the stronger the temptation to apply them. If the emolument of banking operations were consecrated to those creditors who own a large portion of the capitals employed, and who have hitherto been denied a share in the products; the continued zeal of the banks for mercantile accommodations, would be no less honourable than disinterested and just.

The public will now have perceived how destitute of foundation were the assertions, that *Mr. Bronson* had combined with an "*eastern faction*" to embarrass the banks, by drawing off their specie; and that the

suits he had brought were on bills purchased at a reduced price.

The fact is, that instead of taking specie from the New-York banks, these banks have been put in possession of all the specie as well as the other funds of the Bridge bank, which they retain. And, in mean time, that bank has redeemed its own notes in specie; to obtain which it has been compelled to sell the notes of the New-York banks much *below par*, to discontinue its operations as a bank. Its refusal to pay specie has operated as a virtual repeal of the charter of the Bridge bank. The stockholders now see the result of what has been so long and so secretly withheld. For doing this it attempted to condemn them. But to be in the community any remnant of dignity, or in the laws a power to redress the injured, the result need not be





